

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House
(317) 232-9855

FISCAL IMPACT STATEMENT

LS 8156
BILL NUMBER: HB 2027

DATE PREPARED: Apr 29, 1999
BILL AMENDED: Apr 27, 1999

SUBJECT: Loan brokers.

FISCAL ANALYST: Bernadette Bartlett
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FUNDS AFFECTED: ☒ **GENERAL**
☒ **DEDICATED**
FEDERAL

IMPACT: State & Local

Summary of Legislation: (CCR Amended) This bill makes numerous changes concerning the regulation of loan brokers by the Securities Commissioner. A loan broker must be licensed. An employee of a loan broker must be registered if the person engages in loan origination activities for a loan broker. Licensees and registrants must receive at least 24 hours (or 12 hours for renewal licensees or registrants) of academic instruction in order to be licensed or registered after December 31, 2000. This bill requires that a written instrument that transfers or assigns a mortgage must state the location and business address of the firm, person, limited liability company, or corporation to which the mortgage is transferred or assigned. This bill makes certain other changes.

Effective Date: July 1, 1999.

Explanation of State Expenditures: (Revised) This bill requires that a loan broker must be licensed. (Currently, brokers are registered.) The Securities Division within the Secretary of State's Office will oversee the implementation of the above. However, the Division does not anticipate any additional expenses that can not be covered given the current budget.

Explanation of State Revenues: (Revised) The initial license fee for a loan broker is set at \$200. (Currently, the registration fee is \$250.) Currently, there are 1,367 registered brokers. Approximately 350 obtain an initial license each year. The current fee generates approximately \$130,000 to \$150,000 each year, including renewals. The proposed license fee is \$50 less than the current registration fee. If 350 individual elect to obtain a license every year, the reduced fee will result in a revenue loss of about \$17,500 each year. However, because there has been a significant increase in the number of individuals who are entering the loan brokerage business in recent years, the loss in revenue may be made up by additional applicants.

Licenses are not required until January 1, 2001.

This bill also increases from \$25,000 to \$50,000 the amount of bond that a licensee must maintain in favor of the state to secure payment of damages to any person aggrieved by any violation of the statute governing licensure. This provision would provide additional revenue for the state to cover expenditures.

This bill increases the maximum civil penalty that may be imposed for violations of the securities regulation provisions from \$5,000 to \$10,000. The table below shows the total fines assessed against violators of the securities regulation provisions in the last five calendar years. However, it should be noted that fines assessed loan brokers make up a small portion of the total amount of fines collected.

<u>Year</u>	<u>Fines Imposed</u>
1994	\$114,950
1995	\$881,380
1996	\$423,889
1997	\$857,370
1998	\$1,122,915

Penalties collected are deposited in the Securities Division Enforcement Fund.

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: Securities Division of the Secretary of State and Department of Correction.

Local Agencies Affected:

Information Sources: Heather Fesko, Legislative Liaison, Office of the Secretary of State, (317) 232-6587; Bradley Skolnik, Securities Commissioner, Office of the Secretary of State, (317) 232-6681; Indiana Sheriffs Association, Department of Correction; Doug Brown (317) 639-5454.